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DEPARTMENT FOR EUR/NCE; PLEASE PASS TO NSC FOR ADAM STERLING

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TAGS: PGOV PREL KDEM SOCI ECON HU

SUBJECT: PAINTING HUNGARY BY NUMBERS: THE REALITY AND THE PERCEPTION OF THE STATE OF THE NATION

Classified By: P/E COUNSELOR ERIC V. GAUDIOSI; REASONS 1.4 (B) AND (D)

¶1. (C) Summary: Center-left think-tank DEMOS, &Hungary,s Strategic Audit 20078 casts light on the dark picture of Hungary,s broad social and political trends. In compiling data from a broad range of sources, DEMOS has confirmed that there is more than just a grain of truth to the stereotype of the pessimistic Hungarian. But it also explains why: Hungarians find the present) while better than the past) falling far short of their expectations. Overeducated, underemployed, and most of all uncertain about their economic future, Hungarians are rapidly losing interest - and confidence - in their political institutions. This trend could leave Hungarians more susceptible to more extreme "solutions." End Summary.

You and Me Against the World ... and I'm Not Crazy About You

¶2. (U) As DEMOS notes, pessimism is such an integral component of Hungary's national character that many here pride themselves on their low morale. This is a prism through which they examine all other issues; social, economic and political. Pessimism regarding the European Union, for example, runs highest in Hungary of all member states. Indeed, pessimism extends to - and often amounts to - a world view: DEMOS describes the "paradox of happiness" which leaves Hungarians feeling less content with their lives than citizens of developing countries in Africa.

¶3. (U) The issue of globalization in Hungary provides an apt case study. Many here see globalization as the perfect storm of economic displacement, and are convinced that the best-educated will leave the country and unskilled labor will be replaced by foreign workers. In fact, the number of people arriving as well as departing from Hungary is very low. Most of the immigrants arriving in Hungary are ethnic Hungarians from surrounding countries. Internal mobility is even lower, with only 1.5 percent of Hungarians expressing a willingness to move.

¶4. (U) Coupled with this hesitancy to accept globalization, Hungarians also demonstrate a high rate of xenophobia. The EU tolerance index rates Hungary,s level of tolerance at 20 (on a scale of 100), the second lowest in the EU. When polled, Hungarians were even highly disapproving of the &Pirez8, an imaginary immigrant population. The ratio of those rejecting all immigrants has increased since 2006, while confidence in the EU has fallen sharply. As one contact noted, "if we could have a referendum on geography, we would choose to be an island."

Bad - or Just European ?

¶5. (U) As DEMOS notes, however, the prevailing demographic trends in Hungary are an extreme but not an aberrational case within the context of European norms. As former FM Janos

Martonyi bitterly observes, "someone has to be last, and its usually Hungary." Although overall Hungarian demography does not bode well, it does not differ significantly from the mainstream demographic trends of Europe as a whole:

- Hungary's population, like many in Europe, is an ageing one. In 2007, the "over 65" population was 15 percent and has been higher than the "under 14" population since 2006.
- When compared to other European Union countries Hungary's life expectancy is well below the average, with Hungarian men living 8 years less than their EU counterparts and Hungarian women living 5.3 years less than theirs.
- However, life expectancy continues to increase. In 2005, men lived 3 years longer on average than they did in 1990. The once very disturbing stratification between Hungarian men and women is decreasing, with the women's "advantage" dropping from 8.6 to 8.3 years. But economic stratification continues: college graduates continue to live 16 years longer than those without degrees.
- Though there has been a slight increase in fertility rates in Hungary, very few children are born. In the past eight years, the number of couples not planning to have any children rose by three to four times. The non-Roma birth rate remains well below replacement levels, and the rate of population decline has accelerated over the past decade.
- What has increased dramatically is the number of children being born out of wedlock, with the current figure at approximately 34 percent.

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- The number of weddings has decreased by almost a third since 1990. The period between 1984 and 2005 saw the proportion of common law marriages grow five fold, though marriage is still the dominate form of partner based cohabitation. Compared to Europe however, Hungary's divorce rate is above average at 54.5%.

Tuning Out ... or Turning to the Extreme?

¶6. (U) The overall feeling of pessimism and skepticism extends to both economic and political life. Public trust in social intuitions has been on a steady decline since 2002. Confidence in the Constitutional Court, the Presidency, local government and Parliament is at the lowest point in the past one and a half decades. A December poll shows voters associating the governing MSZP with &lying,⁸ the opposition FIDESZ party with &hate-mongering" and the junior coalition SzDSz with &powerlessness.⁸

¶7. (U) This lack of confidence is reflected in the low rates of voter turn-out. At 61% Hungary has one of the lowest voter turn-outs for parliamentary elections in all of Europe. The voter turn-out at referenda is continuously decreasing, and the EU referendum and most recent European Parliamentary elections drew the lowest turn-out since Hungary's accession.

¶8. (U) The malaise extends to the economy as well. The economic activity rate in Hungary is 62 percent - second lowest out of all EU states. By some estimates only 8 percent of employees work to retirement age, with early retirement or disability representing a significant drain on the work force. In reference to this trend, one Hungarian remarked with typical sarcasm that &Hungarians must retire early because they die so young.⁸

¶9. (U) Equally disturbing is the endemic unemployment rate of young career starters. At almost 20 percent, the current unemployment rate of these young career starters is two and half times as high as the rate for older age groups. One reason for this situation, DEMOS suggests, is the fact that

the Hungarian school system is producing too many people with the wrong kind of degrees (often several of them). Hungarians continue to obtain degrees in theoretical and esoteric subject matters, while practical and vocational subjects continue to decline in popularity despite the more immediate prospect of post-graduate employment. Prime Minister Gyurcsany is fond of quoting a study in which two-thirds of high school students aspire to careers in the public sector.

¶10. (C) Comment: That Hungarians are pessimistic is not news. Indeed, the data show a more positive picture than many of the urban legends that have entered the current political discourse. Still, the DEMOS study is cold comfort. Political and economic uncertainty are magnified in popular perception, and there is both disenchantment with the present and doubt about the future. As one AmCham executive noted, even optimists believe "this is not where Hungary should be" so long after its transition. Pessimists - and there are many - may confront a choice between apathy or embracing of more extreme solutions. End Comment.

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